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# STATE FUNDS

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STATE FUNDS California Proposition 7 (1968).

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their employment in the public educational system.

However, in view of the grossly unsatisfactory performance of the public educational system in California, in fulfilling its primary function—instilling good citizenship,—the People of the State of California should be no longer indulgent with regard to the requests of the public educational system, no matter how minor.

The time has come for the People to take a tight rein over their public educational system (both state and local). All requests for funds, benefits and preferred treatment should be carefully scrutinized because to a large degree, the public educational system is undermining the moral fabric of our youth, and weakening the state and nation, through its permissive methods, and abandonment of fundamentals and proper discipline.

Here in Berkeley, the city's public schools have become centers for sociological experimentation, instead of education. School taxes have risen sharply, while school discipline has become lax, disturbances are common, leftist political indoctrination is prevalent, and radical political agitation unimpeded.

The University of California, at Berkeley, has become a privileged sanctuary for many

types of political agitation and subversion. This institution, as presently constituted, is a major threat to the continued survival of the United States as a free nation.

Moreover, the University of California, statewide, through its many programs and research projects, has intentionally been moving our state and nation towards Socialism.

The much defended code of Academic Freedom, is a mockery at the University of California, at Berkeley. Their kind of Academic Freedom excludes free speech by patriotic American constitutionalist conservatives. 90% of the Berkeley campus activities are slanted towards the Left.

For the above reasons, I respectfully suggest that the People of the State of California express their dissatisfaction with the performance of their public educational system.

A NO vote on this Amendment proposal will indicate to the authorities that no preferred treatment will be given to any matter connected with the public educational system until there is a return to the basic and proven principles of proper education.

FRED E. HUNTLEY  
972 Grizzly Peak Blvd.  
Berkeley, California

**STATE FUNDS. Legislative Constitutional Amendment.** Legislature may provide that money allocated from the State General Fund to any county, city and county, or city may be used for local purposes.

**7**

**YES**

**NO**

(For Full Text of Measure, See Page 31, Part II)

#### General Analysis by the Legislative Counsel

A "Yes" vote on this measure is a vote to permit the Legislature to allocate money from the General Fund of the state to any county, city and county, or city, to be used for local purposes.

A "No" vote is a vote to retain the present law, which permits the Legislature to allocate state money to local agencies for state purposes only.

For further details see below.

#### Detailed Analysis by the Legislative Counsel

The Constitution now prohibits the Legislature from allocating money to counties, cities and counties, or cities, for a purpose which is not a state purpose.

This measure, if adopted, would authorize the Legislature to allocate money from the General Fund of the state to any county, city and county, or city, for county, city and county, or city purposes, as well as for state purposes.

#### Argument in Favor of Proposition No. 7

A "YES VOTE" on Proposition No. 7 will permit the Legislature to authorize use of

existing state allocated funds by cities and counties for city and county purposes. State allocations to counties and cities must now be used for state purposes even though the revenue being allocated by the state is a replacement for taxes which at one time were levied and collected locally.

Two examples are motor vehicle license fees and cigarette taxes. When motor vehicles were assessed and taxed locally as personal property, the revenue went into local general funds. The same thing is true of cigarette taxes. Both of these taxes are now levied and collected by the state in lieu of any local taxes and the revenue is returned to counties and cities. However, when the revenue is returned to counties and cities it must be put in a special fund to be used for state purposes. The effect of the present law is to keep the pressure on property taxes and other new sources of local revenue for local purposes.

A "YES VOTE" on Proposition No. 7 is an essential step toward tax reform in California. The Governor has said that "Any significant tax reform program in our state must involve a reallocation of the functions and tax resources of our governments at both the state and local level." Approval of

Proposition No. 7 will permit the Flournoy Reform Commission to recommend re-creation of tax resources and free the hands of the Legislature in carrying out such recommendations.

JOHN G. VENEMAN,  
Assemblyman 30th District  
Chairman, Assembly Committee  
on Revenue and Taxation

EDWARD H. RADEMACHER,  
President

League of California Cities

DUDLEY E. BROWNE,  
President  
California Taxpayers  
Association

#### Argument in Favor of Proposition No. 7

A "YES VOTE" on Proposition No. 7 permitting the Legislature to authorize the use of replacement revenue for local rather than state purposes will make it unnecessary to determine the confusing and changing concept of state v. local purpose. Enforcement of state laws is a state purpose and enforcement of local ordinances a local purpose. Expenditures on major Streets that are essential connecting links with the state highway system are a state purpose, but the Attorney General has questioned the use of state allocated funds on city streets. If these exist-state allocated funds cannot be used for any purpose for which local funds can be used, counties and cities will continue to seek additional local revenue for providing essential county and municipal services.

I believe that a "YES VOTE" on Proposition No. 7 is an essential step to clarification of the present law and true tax reform.

J. K. MAC DONALD, Assemblyman  
37th District

#### Argument Against Proposition No. 7

Present law allows cities and counties to spend money that they receive from the state for state purposes only. Proposition 7 would allow these entities to spend monies received from the state for city and county purposes as well.

One of the basic principles of our form of government is that powers of government, including tax collection and spending, be held and exercised as closely as possible to the people most directly affected by them. The federal government, thus, is given responsibility for tasks such as national defense, which can best be performed by one

authority for the nation as a whole. State governments have ultimate responsibility for intermediate functions. Under California's Constitution, one of these functions, for example, is the financing of the public school system. Local governments retain final responsibility for providing local services. Proposition 7 goes directly against this cardinal principle of our governmental way of life.

If cities and counties need more revenue, they should be required to raise it themselves, provided that city and county officials can convince their electorate that additional taxing and spending is necessary. If they fail to convince their voters of this, they should not be able to go to a more distant or higher level of government, namely, the state, to get funds for projects that their own people have voted against.

The more local government spending that is paid for by state and federal tax collections, the more difficult it will be for voters to stop waste and overspending in their own hometowns and neighborhoods, or, in other words, the closer the collection of taxes is to the people, the greater control the taxpayer has. The farther away from him the tax is collected, the less control he has, and the more difficult it becomes for him to make known his desire for economy.

The state now gives about 65 per cent of its tax revenue back to local government, but only for use for state purposes. The original drafters of the Constitution saw a need for this prohibition against non-state use of state monies by local governments, and it has remained on the books for 89 years without being questioned. Your "no" vote will keep things as they are and as they have worked well for 89 years.

Some proponents have said that this measure will relieve the property tax. Nothing could be further from the truth, since Proposition 7 does not create new money but rather requires it to come from increased state taxes. Property owners, of course, pay state taxes, too. How can the taxpayer gain by taking money out of one of his pockets and placing it in another?

Your "no" vote will be a vote to keep government at a local level, where it belongs.

Your "no" vote on this proposition will let the state grant funds when needed for specific purposes and keep restrictions where they are needed most, around our pursestrings.

JAMES E. WHETMORE  
Senator, 35th District

<b>HOSPITAL LOANS. Legislative Constitutional Amendment.</b> Authorizes Legislature to insure or guarantee loans to nonprofit corporations and public agencies for construction, improvement, or repair of any public or nonprofit hospital and other specified facilities, and for purchase of original equipment therefor.	YES	
	NO	

(This amendment proposed by Senate Constitutional Amendment No. 28, 1968 Regular Session, does not expressly amend any existing section of the Constitution, but adds a new section thereto; therefore, the provisions thereof are printed in **BLACK-FACED TYPE** to indicate they are **NEW**.)

**PROPOSED AMENDMENT TO  
ARTICLE XIII**

**Sec. 21.5.** The Legislature shall have the power to insure or guarantee loans made by private or public lenders to nonprofit corporations and public agencies, the proceeds

of which are to be used for the construction, expansion, enlargement, improvement, renovation or repair of any public or nonprofit hospital, hospital facility, or extended care facility, facility for the treatment of mental illness, or all of them, including any outpatient facility and any other facility useful and convenient in the operation of the hospital and any original equipment for any such hospital or facility, or both.

No provision of this Constitution, including but not limited to, Section 1 of Article XVI and Section 18 of Article XI, shall be construed as a limitation upon the authority granted to the Legislature by this section.

<b>6 INSURANCE COMPANIES: GROSS PREMIUM TAX. Legislative Constitutional Amendment.</b> Permits Legislature to exclude from base of gross premium tax on insurance companies premiums on contracts providing retirement benefits for persons employed by public schools, public or nonprofit educational institutions of collegiate grade, or school or nonprofit organization engaged in scientific research.	YES	
	NO	

This amendment proposed by Assembly Constitutional Amendment No. 34, 1968 Regular Session, does not expressly amend any existing section of the Constitution, but adds a new section thereto; therefore, the provisions thereof are printed in **BLACK-FACED TYPE** to indicate they are **NEW**.)

**PROPOSED AMENDMENT TO  
ARTICLE XIII**

**Sec. 35.5.** The Legislature may exclude from the basis of the annual tax imposed by

Section 14½ of this article all premiums paid on contracts providing retirement benefits issued on the lives of persons who, at the time of such issuance, are in the employ of (1) a public school or public educational institution of collegiate grade or (2) a nonprofit educational institution of collegiate grade, school or nonprofit organization engaged in scientific research.

<b>7 STATE FUNDS. Legislative Constitutional Amendment.</b> Legislature may provide that money allocated from the State General Fund to any county, city and county, or city may be used for local purposes.	YES	
	NO	

(This amendment proposed by Assembly Constitutional Amendment No. 20, 1968 Regular Session, does not expressly amend any existing section of the Constitution, but adds a new section thereto; therefore, the provisions thereof are printed in **BLACK-FACED TYPE** to indicated that they are **NEW**.)

**PROPOSED AMENDMENT TO  
ARTICLE XIII**

**Sec. 12.** Money allocated by the Legislature from the State General Fund to any county, city and county, or city may be used when specified by the Legislature for county, city and county, or city purposes, as the case may be.